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in brief



**THE STATE OF MONTANA**

# **Governor's Executive Budget**

**IN BRIEF**

**FISCAL YEARS 1990-1991**

*Ted Schwinden*  
**TED SCHWINDEN, GOVERNOR**

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### PRUDENT DECISIONS PAY OFF

As a result of "holding the line" on budget increases for the past three years, the 1989 legislature does not face the \$100 million annual shortfall that confronted legislators during the June 1986 special session or the \$100 million biennial "gap" between revenue and expenditures that faced legislators in January 1987. Rather, the Executive Budget for FY90-91 recommends a budget that is balanced without the necessity for a tax increase, one that requires less than one-half the fund transfers needed over the last three years, and which allows for increased spending for human services, education, and state institutions. It provides for an increase in state employees' pay to be funded by improved efficiency in state agencies.

### SURTAX REMOVED

The Executive Budget recommends that the 10% income tax surcharge be allowed to expire at the end of 1988. This surcharge was imposed on a temporary two-year basis to deal with the revenue shortfalls the 1987 Legislature faced. Now that prudent budget decisions, an improving economy, and increased state revenues have helped move expenditures and revenues closer together, it is time to remove this temporary tax.

### A BALANCED BUDGET - CLEAR PRIORITIES

Overall, the Executive Budget for FY90-91 proposes spending \$1,281 million less in general fund for agency budgets than we are spending this biennium. It would ensure a prudent ending fund balance of \$16.675 million. However, it recommends increased spending for important "people" programs. In each year of the biennium the budget contains funding for a 2% increase in state support for the foundation program, a 2% increase for state employees, and a 2% increase in the rate paid to those who provide services to Montanans using state social and medical programs.

These increases are possible because of good management. The budget proposes a 9.72% increase in general fund spending for education, a 6.79% increase for human services, and a 2.18% increase for state institutions. The expenditures for other agencies are reduced by 10.56%. The 2% state employee pay raise is possible because state managers have found ways to do their work more efficiently.

Authorized FTEs have decreased by 464 since Governor Schwinden took office in 1981. The decrease in state employees per capita is more dramatic, from 18.49 state employees per thousand Montana residents in 1981 to 17.33 in 1989. This budget would continue the trend by reducing FTEs by an additional 145 from the FY89 authorized level.

As we progress toward bringing revenues and expenditures in line, we must continue a modest level of fund transfers. The recommended total for FY90-91—\$37.6 million—is substantially less than the \$100 million that is being transferred this biennium. By the end of next biennium, further fund transfers should be unnecessary.

The budget also continues the practice adopted in FY87-FY89 of slowing our rate of savings. The budget recommends that 100% of the interest earned on the coal tax trust will be used for ongoing expenses of government for the next two years. (The budget proposes no change in the allocation of coal tax revenue to the permanent trust—50% of all coal tax revenue will continue to be deposited into the trust.) Beginning in FY92, 15% of the interest will be deposited in the trust.

The Executive Budget recommends eliminating the earmarked coal tax for the Coal Board/Local Impact Program,

and supporting the program at a reduced level with a general fund appropriation. This program was established in 1975 when experts predicted that coal production would exceed 50 million tons per year and there would be 21 coal fired generators within our borders by 1985. Today, with no new mines or generator plants on the horizon and local infrastructure needs in the area largely met, priorities have changed. The budget recommends reducing the Coal Board staff from 2.5 to 1 FTE and funding to \$375,000 per year for problems that may arise in the impact area during the next biennium. The coal tax funds freed by this decision will be placed in the School Foundation Program, benefitting students throughout the state. However, the budget recommends keeping the Coal Board Program in place, so that it can respond to future impacts when significant coal development once again occurs.

### SCHOOL FOUNDATION PROGRAM

The budget proposes providing \$51.5 million to the School Foundation Program. Primarily because of declining statewide taxable value, the Foundation Program requires \$34.754 million in additional general fund to maintain the current foundation schedules. The 2% annual increase recommended in this budget requires an additional \$16.745 million. In order to help fund this single largest increase in general fund spending, the remaining balance in the Education Trust, \$9.575 million, is transferred to the School Foundation Program in FY91. In addition, the budget recommends utilizing the coal tax funds that would have been deposited to the Education Trust and the Park Acquisition Trust and the funds earmarked for the Coal Board to help fund the Foundation Program. These recommendations provide the Foundation Program with \$25.493 million of additional coal tax funds over the biennium. The remainder of the needed \$51.5 million is provided with a \$25.306 million general fund appropriation and \$0.7 million of additional earmarked revenues.

### BUDGET INITIATIVES

The Executive Budget proposes important new budget initiatives in key areas:

—Montana Conservation Corps The budget proposes an innovative new program that will assist in the protection, conservation, and improvement of Montana's parks while providing valuable work experience for unemployed or economically disadvantaged youth and adults. In cooperation with the Departments of Labor and Industry and Social and Rehabilitation Services, the Department of Fish, Wildlife and Parks the budget proposes to spend \$595,465 during the next biennium for a year-round adult corps unit and a summer youth corp unit. Participants in the program will assist in priority projects such as erosion control, weed control, trail and landscape improvement, and site maintenance. To be eligible for the program, individuals must be economically disadvantaged, seeking employment through the Job Service (or the Human Resource Development councils for summer employment), and be physically and mentally capable of performing labor-intensive outdoor work.

—Corrections Programs Based on the recommendations of the Criminal Justice Advisory Council's year-long study, the budget proposes appropriating \$425,876 during the biennium to the Department of Institutions for expansion of the intensive supervision program. This will allow district courts to place in community-based intensive supervision programs 75 prisoners who would have otherwise been sentenced to Montana State Prison. This type of program, which is prov-

## BUDGET HIGHLIGHTS

ing successful in many other states, is a cost-effective way of reducing prison populations and rehabilitating offenders. The budget also includes \$215,712 over the biennium for expansion of the sex offender treatment program at the prison. Sex offenders comprise a growing segment of the prison population, and existing programs cannot provide treatment to all those who need it. Lastly, the budget proposes \$1,184 million for construction of a new housing unit at the prison. The current facilities, built to house 744 prisoners, now house 990 prisoners. The Department of Institutions estimates that prison population will grow to 1,040 in FY90 and to 1,077 in FY91. Additional capacity is needed to house these prisoners. To keep costs down and provide work experience to prisoners, the prison addition would be constructed with inmate labor.

**—Active Treatment at the Montana Developmental Center** The budget proposes the addition of 18.5 new FTEs at the Boulder Montana Developmental Center to enhance the active treatment program for residents and to ensure the state maintains medicaid certification.

**—Day Care** The budget proposes the addition of \$125,000 per year of general fund to the Department of Family Services to help develop day care resources in the state and ensure that existing day care centers meet federal licensing standards. The federal welfare reform act will require the state to take a more active role in day care and these funds will ensure that the state is prepared to meet the new federal mandates.

**—Foster Care** The budget includes \$735,752 for the biennium to allow the Department of Family Services to develop additional community programs to help troubled youth. The programs will provide needed services to keep children in their homes, rather than moving them into foster homes. Services will be added based on consultation with local advisory councils.

**—Obstetric Care in Rural Areas** Recognizing the serious problem of ensuring adequate obstetrical care in rural areas, the budget proposes a two-pronged approach. Based on the recommendations of the Governor's Obstetrical Services Availability Council, the budget proposes increased medicaid reimbursement for delivery of babies. It includes a 2% provider rate increase, which SRS will be authorized to allocate among provider rates based on need. In addition, the budget proposes an additional \$100,000 for the biennium be appropriated to SRS for targeted reimbursement increases for medicaid deliveries. Second, the budget proposes expanding prenatal education and medicaid coverage for expectant mothers. In accordance with the federal Catastrophic Care Act, the budget proposes \$5.9 million for the biennium (\$1.7 million in general fund) for medicaid coverage of children under one year of age and pregnant women whose income is less than the poverty level. The budget also includes \$65,000 per year of general fund to expand the Department of Health and Environmental Science's prenatal education programs and \$50,000 per year additional general fund for Family Planning prenatal counseling.

**—Priorities for People (PFP)** This innovative program, which won an award from the American Public Welfare Association in 1988, invites consumers and providers of human services to review the human service budgets and make recommendations to the Governor on priorities for increased expenditures and for reductions in services. This year, the program was expanded to include human service programs in five agencies—SRS, DHES, DFS, Institutions, and Labor. The 35 members of the PFP team met for seventeen days, held informational hearings in seven cities, and submitted a comprehensive recommendation to the Gover-

nor. This budget includes 8 of the top 11 PFP recommendations for increases in services.

**—Gaming Commission** Based on the intensive study made by the Gaming Advisory Council, the budget proposes a Montana State Gaming Commission that will regulate all forms of gambling except the state lottery and horse racing. The Commission would have 3 new FTEs, with gambling enforcement provided by the Investigation Division of the Department of Revenue. The cost of this new program would be paid for by fees and taxes collected from gambling.

**—Science and Technology Alliance** The Executive Budget for FY88-89 recommended —and the 1987 legislature adopted—a \$15 million bonding program, backed by the permanent coal tax trust fund, to expand this important economic development program. Earlier this year, the Montana Supreme Court held the bonding program to be unconstitutional. This budget recommends a \$2 million appropriation from the Coal Tax Permanent Trust for the Science and Technology Alliance. This meets the objections raised in the Supreme Court decision and ensures that this important program will have funds to invest in Montana's high technology businesses.

**—Fire Protection** This budget proposes including the remaining 10 counties in the state-county cooperative fire control agreement over the next three biennia. During the 1991 biennium, Deer Lodge, Flathead, and Ravalli counties will be added at a cost of \$130,000 of general fund. In addition, the budget proposes that the state assume fire fighting responsibility for "Block 4." This requires that we add \$398,522 of general fund and 12.25 FTEs.

**—Rest Area Maintenance** To improve maintenance at Montana's six major rest areas and to enhance our tourism efforts, 9.6 FTEs will be added to the Department of Highway's budget for the biennium.

## FEDERAL MANDATES

The federal government has passed legislation in several areas—welfare reform, nursing home care, AIDS prevention, catastrophic health care, national defense, and remediation of leaking underground storage tanks and superfund sites—that impose new duties on the state. In some cases, adequate federal funding came with the federal mandate; in other cases—welfare reform, and nursing home regulation, in particular—it did not. As a result of these federal mandates, an additional \$6,743.401 in general funds are included in the budget.

**—Catastrophic Health Care** The Catastrophic Care Act expands medicaid coverage. The estimated general fund cost for the biennium is \$3,568,309. Pregnant women and women with children under one year old, with incomes less than 100% of the federally established poverty level, are now eligible to receive medicaid.

The state must also expand eligibility for payment of medicare insurance premiums, known as medicare part B premiums. The state now pays such premiums for medically needy individuals, but now must extend coverage to all persons eligible for medicare, whose incomes are below 100% of the federally established poverty level.

The act also establishes resource limits for spouses of individuals in nursing homes. Those provisions will increase the cost of medicaid by reducing the amount spouses are now required to pay.

**—OBRA** The Omnibus Budget Reconciliation Act mandates new requirements for all nursing homes and requires new

regulatory functions for state government as a condition for maintaining medicaid funding. The budget proposes \$1,571,244 of general fund for the biennium to meet the new requirements. DHES will have new responsibilities for maintaining a registry of nurse's aides, inspecting doctors labs, and increasing the level of inspection of nursing homes. The Department of Institutions will have to comply with the requirement to provide a minimum of 75 hours of training to all nurse's aides. SRS's medicaid reimbursement must increase to cover the additional costs private nursing homes incur as a result of the new training requirements.

—Federal Welfare Reform Federal welfare reform mandates additional medicaid coverage and new day care benefits for AFDC recipients. Job training requirements have been added which will be handled by the Department of Labor. While there are some anticipated savings from reductions in AFDC caseload, the increased costs of one year of additional medicaid coverage for those recipients finding work and up to a year of additional child care increase the state's net general fund cost by \$1,156,929. The new work program will cost an additional \$446,919 of general fund for the biennium.

The state will also have expanded child support enforcement responsibilities. The budget proposes a \$92,700 supplemental in FY89 and the addition of two FTEs in the 1991 biennium to meet the new requirements.

—National Defense. During the next three years, the federal government will increase the number of National Guard personnel in Montana by 800 and provide associated new equipment and new buildings. In order to provide state match for this expansion, the budget proposes \$139,900 in general fund each year.

—AIDS Prevention To meet our expanded responsibilities under federal law for AIDS education and testing, DHES would receive 6 additional FTEs and \$1,273,497 additional spending authority for federal funds in the budget proposal.

—Superfund Remedial Investigations/Feasibility Studies During the 1990-91 biennium, there will be \$4.9 million of federal funds available to continue the superfund efforts in Montana. The budget authorizes expenditure of these funds, as well as the addition of 14 new FTEs.

—Leaking Underground Storage Tanks The program is designed to take remedial action on leaking underground storage tanks where there is no identifiable responsible party or the responsible party is insolvent. The federal funds must be matched 90/10 with state funds. The budget proposes using Resource Indemnity Trust funds already earmarked to DHES for the state match. The budget includes \$1,478,102 total funds for the biennium and 5.5 FTEs to implement the program.

### TAX REFORM

Included within the budget is a revenue-neutral tax reform package that makes Montana taxes simpler and

fairer and makes Montana more competitive in attracting jobs and industry to this state. This proposal has three major elements:

—Income Tax Reform The proposal lowers the top marginal tax rate from 11%—which is the highest marginal rate in the country—to 8%. The proposal also broadens and simplifies the tax structure, so that most taxpayers will be able to file a simple, single-page form instead of the numerous forms required under current law. In order to increase tax equity and make the proposal revenue-neutral, the deduction for federal income taxes is limited.

—Personal Property Taxes Eliminated The proposal eliminates nearly all personal property taxes, removing a tax that discourages business expansion and new investment in the state. Because assessment of personal property taxes is also very labor-intensive, elimination of most personal property taxes allows a reduction of 52.2 FTEs in the Department of Revenue in FY91 and a biennial general fund savings of \$1,195,594. The revenue lost from elimination of these taxes is generated by a replacement tax placed on associated real property.

—Nuisance Taxes Repealed Several taxes currently imposed under state law —such as the store license tax— cost more to administer than they produce in revenue. In addition, such taxes burden Montana taxpayers with more paperwork. This proposal will repeal these “nuisance taxes.” The revenue reduction from the repeal of nuisance taxes is only \$306,000 per year.

### SCHOOL FUNDING PROPOSAL

One of the major issues facing the 1989 legislature is equitable funding of Montana's primary and secondary education systems. Earlier this year, a district court held that Montana's current public school financing system violates Montana's constitution because it denies students both equal protection of the laws and equality of educational opportunity. The decision gave the Montana legislature until October 1, 1989, to correct these deficiencies. This decision is currently being appealed to the Montana Supreme Court. A decision is not expected until the 1989 legislative session is underway.

At the Governor's request, the Public School Financing Advisory Council prepared a proposal for the consideration of the 1989 Legislature. The proposal simplifies school finances by consolidating seventeen separate statutory accounts into two, a general fund and a capital improvement fund. The proposal equalizes 85% of school expenditures and places an expenditure limit on per student expenditures. Local voted levies would be eliminated in 50% of all school districts and limited by the expenditure cap in the rest. Funding would be equalized through a 140 mill statewide levy. The Foundation Program payments would be increased to 216% of the current schedules to equalize funding. Further details on this proposal are published in the separate report of the Council.

## GENERAL FUND SUMMARY

### Current Law Budget Status (In Millions)

	Actual FY 88	Estimate FY 89	Estimate FY 90	Estimate FY 91	Estimate FY 90-91
Beginning Fund Balance	\$10.557	\$39.472	\$29.804	\$18.221	\$29.804
Receipts					
Estimated Receipts	\$391.152	\$377.357	\$369.008	\$380.150	\$749.158
Total Available	\$401.709	\$416.829	\$398.812	\$398.371	\$778.962
Disbursements					
Current Level Disbursements	\$370.795	\$362.752	\$359.324	\$360.696	\$720.020
Foundation Program at 0/0	0.000	0.000	16.710	18.044	34.754
Modified Level Disbursements			0.000	0.000	0.000
Legislative Feed Bill		4.400		4.400	4.400
Miscellaneous Appropriations		0.382			
Pay Plan Proposal		0.000	0.000	0.000	0.000
Supplemental Requests		15.800			
Disaster		0.000	0.000	0.000	0.000
Trans Interest		0.000	0.000	0.000	0.000
Debt Service		11.088	11.057	10.984	22.041
Language Appropriations		0.302			
Administrative Appropriations		0.123			
Appropriation Transfers		-2.679			
Relinquished Appropriation Authority		-0.825			
Continuing Appropriations		3.665			
Reversions		-6.623	-6.500	-6.500	-\$13.000
Total Disbursements	\$370.795	\$388.385	\$380.591	\$387.624	\$768.215
Adjustments	4.707				
Foundation Program Reversion	3.651				
Residual Equity Transfer	0.200	1.360			
Ending Fund Balance	\$39.472	\$29.804	\$18.221	\$10.747	\$10.747
Surplus as % of Disbursements	10.65%	7.67%	4.79%	2.77%	

# GENERAL FUND SUMMARY

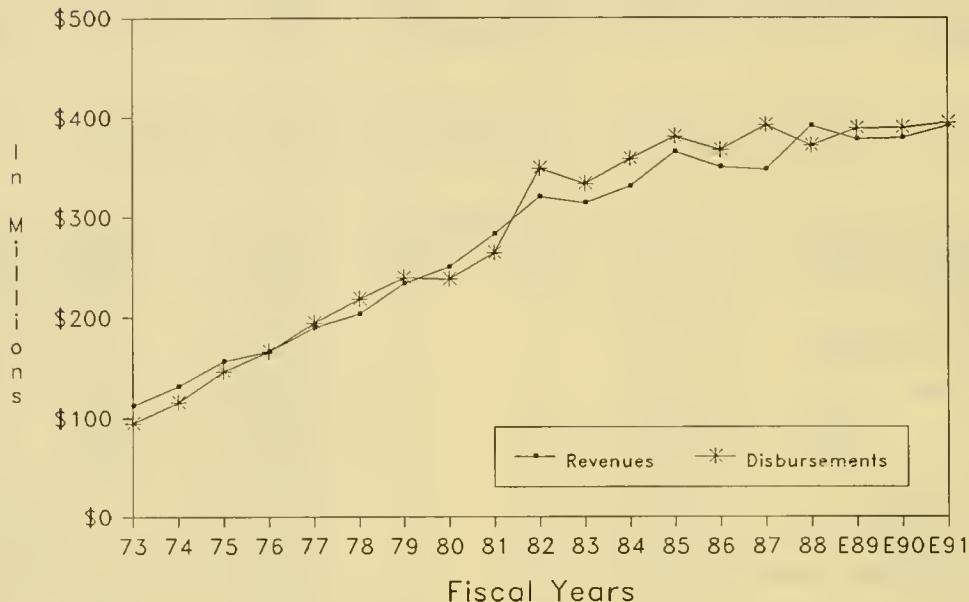
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## Governor's Executive Budget Proposal (In Millions)

	Actual FY 88	Estimate FY 89	Recmnd. FY 90	Recmnd. FY 91	Recmnd. FY 90-91
Beginning Fund Balance	\$10.557	\$39.472	\$29.804	\$20.062	\$29.804
Receipts					
Estimated Receipts	\$391.152	\$377.357	\$379.025	\$391.051	\$770.076
Total Available	\$401.709	\$416.829	\$408.829	\$411.113	\$799.880
Disbursements					
Current Level Disbursements	\$370.795	\$362.752	\$359.324	\$360.696	\$720.020
Foundation Program at 2/2	0.000	0.000	13.384	11.922	25.306
Modified Level Disbursements			9.597	11.122	20.719
Legislative Feed Bill		4.400		4.400	4.400
Miscellaneous Appropriations		0.382			
Pay Plan Proposal		0.000	0.000	0.000	0.000
Supplemental Requests		15.800			
Disaster		0.000	0.000	0.000	0.000
Trans Interest		0.000	1.905	1.814	3.719
Debt Service	11.088		11.057	10.984	22.041
Language Appropriations		0.302			
Administrative Appropriations		0.123			
Appropriation Transfers		-2.679			
Relinquished Appropriation Authority		-0.825			
Continuing Appropriations		3.665			
Reversions		-6.623	-6.500	-6.500	-13.000
Total Disbursements	\$370.795	\$388.385	\$388.767	\$394.438	\$783.205
Adjustments	4.707				
Foundation Program Reversion	3.651				
Residual Equity Transfer	0.200	1.360			
Ending Fund Balance	\$39.472	\$29.804	\$20.062	\$16.675	\$16.675
Surplus as % of Disbursements	10.65%	7.67%	5.16%	4.23%	

## GENERAL FUND SUMMARY

### General Fund Summary Revenue & Disbursement Growth

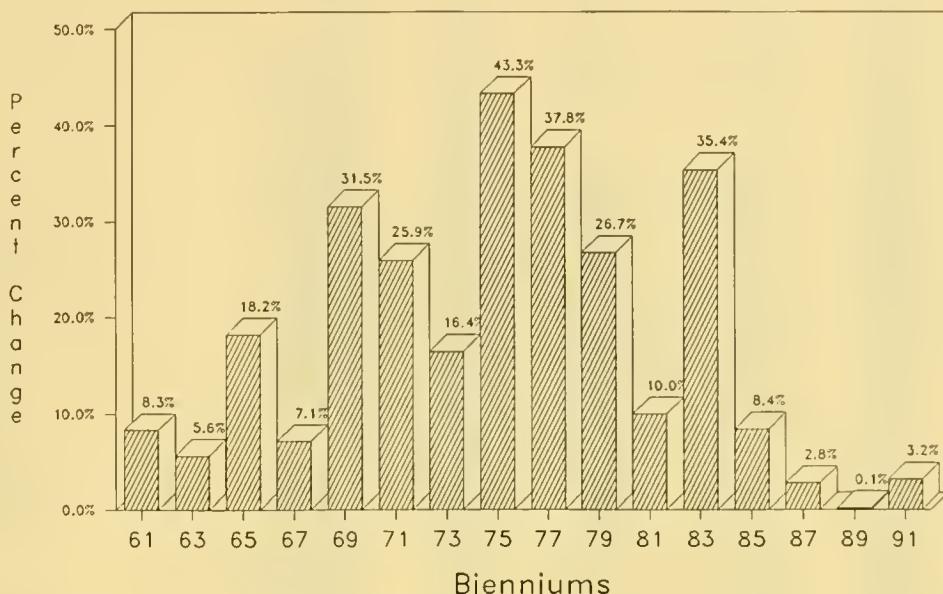


Fiscal Year	General Fund Revenue (Millions)	General Fund Disbursements (Millions)	Ending Fund Balance (Millions)
73	\$112.591298	\$94.739472	\$24.159177
74	131.756688	115.543830	40.820358
75	156.641727	146.247584	51.196108
76	166.345790	166.340893	50.454406
77	189.879343	194.300258	48.528885
78	203.244550	218.093767	33.621817
79	233.360791	239.029560	28.609926
80	250.183133	238.167938	42.218231
81	282.526748	264.551569	61.315056
82	320.143925	347.901270	34.386832
83	313.575015	332.610274	57.140875
84	330.305497	357.387046	35.097000
85	364.521831	380.358776	27.545000
86	349.541480	366.815431	16.002000
87	346.689859	391.324548	10.557000
88	391.152206	370.853289	39.472000
E89	377.357000	388.385000	29.804000
E90	379.025000	388.767000	20.062000
E91	391.051000	394.438000	16.675000

# GENERAL FUND SUMMARY

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## General Fund Disbursements Percent Change Between Bienniums



Fiscal Year	Annual General Fund Disbursements (Millions)	Biennium General Fund Disbursements (Millions)	Percent Change
1958	31.621467		
1959	33.796667	65.418134	
1960	34.643071		
1961	36.218707	70.861778	8.32%
1962	35.789533		
1963	39.056540	74.846073	5.62%
1964	40.622539		
1965	47.842725	88.465264	18.20%
1966	45.184000		
1967	49.579000	94.763000	7.12%
1968	60.850000		
1969	63.790000	124.640000	31.53%
1970	75.616000		
1971	81.299944	156.915944	25.90%
1972	87.956650		
1973	94.739472	182.696122	16.43%
1974	115.543830		
1975	146.247584	261.791414	43.29%
1976	166.340893		
1977	194.300258	360.641151	37.76%
1978	218.093767		
1979	239.029560	457.123327	26.75%
1980	238.167938		
1981	264.551569	502.719507	9.97%
1982	347.901270		
1983	332.610274	680.511544	35.37%
1984	357.387046		
1985	380.358776	737.745822	8.41%
1986	366.815431		
1987	391.324548	758.139979	2.76%
1988	370.853289		
E 1989	388.385000	759.238289	.14%
E 1990	388.767000		
E 1991	394.438000	783.205000	3.16%

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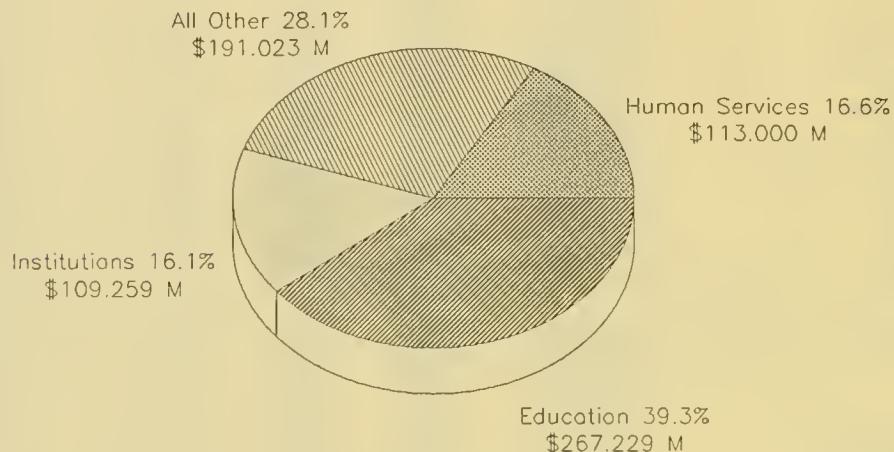
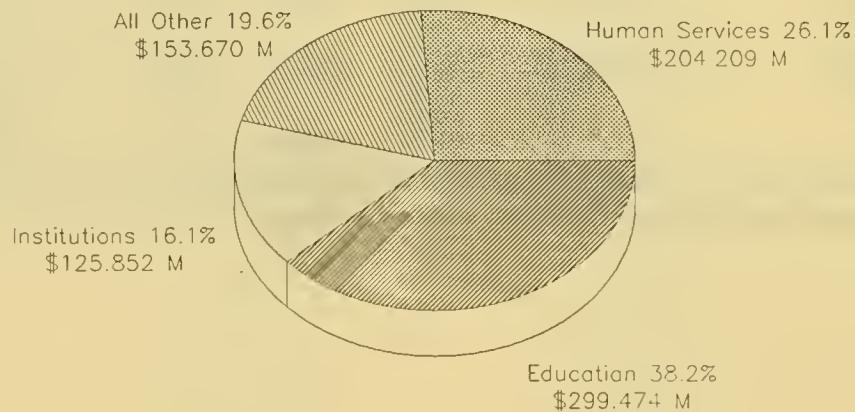
# GENERAL FUND SUMMARY

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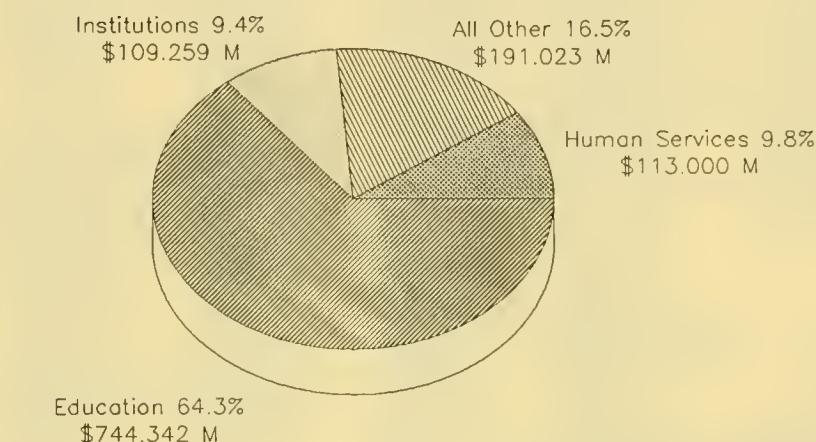
## General Fund Disbursements

	Actual FY 1988	Budgeted FY 1989	Recmnd. FY 1990	Recmnd. FY 1991	Biennium FY 88-89	Biennium FY 90-91	Percent Change
Legislative Auditor	1,054,720.74	1,102,793	1,053,098	1,032,611	2,157,514	2,085,709	-3.33%
Legislative Fiscal Analyst	756,869.69	894,093	788,986	807,674	1,650,963	1,596,660	-3.29%
Legislative Council	1,574,670.39	2,266,562	2,340,591	2,185,882	3,841,232	4,526,473	17.84%
Legislature-Senate	110,508.06	284,147	0	0	394,655	0	-100.00%
Legislature-House	181,525.74	306,710	0	0	488,236	0	-100.00%
Environmental Quality Council	217,075.68	239,609	238,781	235,472	456,685	474,253	3.85%
Judiciary	4,217,087.70	4,267,611	4,221,443	4,192,956	8,484,699	8,414,399	-0.83%
Governors Office	2,152,966.56	2,226,802	2,250,238	2,172,338	4,379,769	4,422,576	0.98%
Secretary Of States Office	545,399.49	495,523	503,397	491,529	1,040,922	994,926	-4.42%
Commissioner Of Political Prac	83,771.29	102,125	103,193	99,163	185,896	202,356	8.85%
State Auditors Office	809,795.12	998,147	949,209	844,634	1,807,942	1,793,843	-0.78%
Office Of Public Instruction	37,288,753.70	37,057,294	50,812,988	49,325,618	74,346,048	100,138,606	34.69%
Crime Control Division	408,863.84	412,649	414,870	408,770	821,513	823,640	0.26%
Highway Traffic Safety	76,050.00	302,400	200,000	200,000	378,450	400,000	5.69%
Department Of Justice	5,113,949.44	5,140,678	4,967,212	4,809,013	10,254,627	9,776,225	-4.67%
Public Service Regulation	1,645,493.80	1,693,166	1,690,450	1,657,004	3,338,660	3,347,454	0.26%
Board Of Public Education	163,176.20	144,016	125,282	117,423	307,192	242,705	-20.99%
Commissioner Of Higher Ed	96,807,139.34	96,499,892	97,278,067	97,509,839	193,307,031	194,787,906	0.77%
Supplemental		1,140,087			1,140,087	0	
Total Higher Education	96,807,139.34	97,639,979	97,278,067	97,509,839	194,447,118	194,787,906	0.18%
School For The Deaf & Blind	2,042,442.24	2,102,508	2,300,731	2,247,251	4,144,950	4,547,982	9.72%
Montana Arts Council	124,903.61	120,554	127,726	120,271	245,458	247,997	1.03%
Library Commission	541,213.55	527,788	579,375	560,251	1,069,002	1,139,626	6.61%
Historical Society	1,098,351.65	1,125,990	1,180,025	1,149,642	2,224,342	2,329,667	4.74%
Board Of Regents	195,944.17	23,008	763,722	749,936	218,952	1,513,658	591.32%
Fire Services Training School	196,810.96	202,018	198,473	199,282	398,829	397,755	-0.27%
Dept Health & Environ Sciences	3,577,682.48	3,979,039	3,453,499	3,416,213	7,556,721	6,869,712	-9.09%
Department Of State Lands	8,156,470.77	5,501,542	7,612,348	7,453,292	13,658,013	15,065,640	10.31%
Supplemental		11,465,224			11,465,224	0	
Total State Lands	8,156,470.77	16,966,766	7,612,348	7,453,292	25,123,237	15,065,640	-40.03%
Department Of Livestock	719,092.64	775,611	756,908	746,497	1,494,704	1,503,405	0.58%
Dept Nat Resource/Conservation	3,774,525.84	3,875,865	2,428,334	2,391,079	7,650,391	4,819,413	-37.00%
Department Of Revenue	17,077,838.84	17,543,272	18,260,522	16,907,821	34,621,111	35,168,343	1.58%
Department Of Administration	17,102,520.00	14,815,696	16,419,835	16,241,767	31,918,216	32,661,602	2.33%
Department Of Agriculture	1,485,339.02	1,604,091	1,513,809	1,465,579	3,089,430	2,979,388	-3.56%
Department Of Institutions	10,613,199.92	11,228,752	11,111,561	10,946,858	21,841,952	22,058,419	0.99%
Montana Developmental Center	11,804,933.38	11,879,951	12,204,240	12,264,979	23,684,884	24,469,219	3.31%
Center For The Aged	2,616,110.40	2,674,095	2,725,651	2,745,474	5,290,205	5,471,125	3.42%
Eastmont Training Center	2,150,715.42	2,258,146	2,284,076	2,272,537	4,408,861	4,556,613	3.35%
Montana State Prison	12,458,662.65	13,042,282	13,022,787	13,178,168	25,500,945	26,200,955	2.75%
Swan River Youth Forest Camp	803,951.38	858,938	855,686	849,221	1,662,889	1,704,907	2.53%
Veterans Home	462,329.13	552,504	689,505	691,556	1,014,833	1,381,061	36.09%
Montana State Hospital	19,284,239.02	20,159,047	19,730,947	19,954,862	39,443,286	39,685,809	0.61%
Board Of Pardons	160,261.42	160,441	163,610	160,529	320,702	324,139	1.07%
Department Of Commerce	4,707,968.77	5,139,601	5,882,606	6,127,643	9,847,570	12,010,249	21.96%
Labor & Ind-Employment Servs	1,854,810.76	2,341,632	1,071,667	1,404,080	4,196,443	2,475,747	-41.00%
Labor & Ind-Workers' Comp	52,445.53	64,583	45,842	43,999	117,029	89,841	-23.23%
Adjutant General	1,811,554.15	2,106,032	1,945,601	1,950,939	3,917,586	3,896,540	-0.54%
Dept Social & Rehab Services	73,111,867.38	75,825,531	79,352,574	83,255,469	148,937,398	162,608,043	9.18%
Supplemental		2,516,385			2,516,385	0	
Total Social & Rehab Services	73,111,867.38	78,341,916	79,352,574	83,255,469	151,453,783	162,608,043	7.36%
Department Of Family Services	19,570,213.92	20,208,326	20,647,259	20,953,279	39,778,540	41,600,538	4.58%
Legislative Feed Bill	0.00	4,400,000	0	4,400,000	4,400,000	4,400,000	0.00%
Termination Pay	0.00	232,260	0	0	232,260	0	-100.00%
Reversions	0.00	(6,500,000)	(6,500,000)	(6,500,000)	(6,500,000)	(13,000,000)	100.00%
Total Deductions	370,764,215.78	388,385,016	388,766,724	394,438,400	759,149,232	783,205,124	3.17%

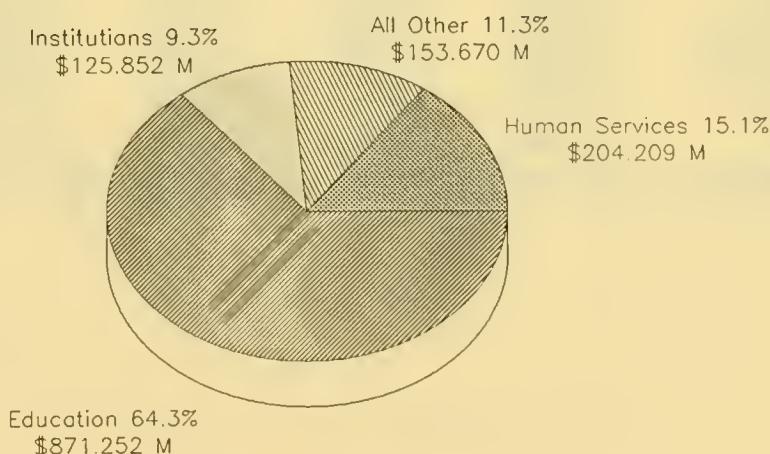
NOTE: Actual FY88 General Fund Disbursements do not include expenditures for administrative appropriations.

**GENERAL FUND SUMMARY****General Fund Disbursements  
1982-83 Biennium****General Fund Disbursements  
1990-91 Biennium**

### General Fund & Foundation Program 1982-83 Biennium Disbursements



### General Fund & Foundation Program 1990-91 Biennium Disbursements



**REVENUE ESTIMATES****General Fund Revenue Estimates****Current Law Status**

(In Millions)

Revenue Component	Actual FY 1988	Estimated FY 1989	Estimated FY 1990	Estimated FY 1991	Estimated FY 88-89	Estimated FY 90-91
Individual Income Tax	142.746609	141.114000	139.170000	148.077000	283.860609	287.247000
Corporation License Tax	27.027277	28.694000	28.855000	29.010000	55.721277	57.865000
Coal Severance Tax	12.961531	8.918000	7.235000	6.249000	21.879531	13.484000
Oil Severance Tax	16.484059	13.536000	14.439000	13.836000	30.020059	28.275000
Interest on Investments	15.731943	14.324000	14.920000	14.282000	30.055943	29.202000
Long-Range Bond Excess	37.461464	38.444000	37.760000	38.977000	75.905464	76.737000
Coal Trust Interest Income	36.754944	39.002000	35.913000	37.510000	75.756944	73.423000
Insurance Premiums Tax	32.047077	21.371000	22.187000	23.685000	53.418077	45.872000
Public Institutions Reimb.	15.395310	16.090000	12.211000	12.352000	31.485310	24.563000
Liquor Profits	3.633000	3.623000	3.153000	2.680000	7.256000	5.833000
Liquor Excise Tax	5.322934	4.998000	4.691000	4.402000	10.320934	9.093000
Inheritance Tax	8.745457	8.727000	8.905000	9.151000	17.472457	18.056000
Metal Mines Tax	2.961778	3.691000	4.145000	3.595000	6.652778	7.740000
Electrical Energy Tax	3.311082	3.389000	3.488000	3.528000	6.700082	7.016000
Drivers' License Tax	0.790325	0.804000	0.791000	0.812000	1.594325	1.603000
Telephone License Tax	3.450499	3.656000	3.821000	3.971000	7.106499	7.792000
Beer License Tax	1.254564	1.242000	1.244000	1.260000	2.496564	2.504000
Natural Gas Severance Tax	1.491523	1.143000	0.999000	1.035000	2.634523	2.034000
Freight Line Tax	1.229618	1.181000	1.117000	1.180000	2.410618	2.297000
Wine Tax	0.929861	0.901000	0.868000	0.835000	1.830861	1.703000
Other Revenue Sources	21.421351	22.509000	23.096000	23.723000	43.930351	46.819000
Total Revenue	\$391.152206	\$377.357000	\$369.008000	\$380.150000	\$768.509206	\$749.158000

**Governor's Executive Budget Proposal****Revenue Adjustments**

(In Millions)

Revenue Component	Actual FY 1988	Estimated FY 1989	Estimated FY 1990	Estimated FY 1991	Estimated FY 88-89	Estimated FY 90-91
Individual Income Tax	\$0.000000	\$0.000000	\$0.797000	\$1.207000	\$0.000000	\$2.004000
Interest on Investments	0.000000	0.000000	2.190000	2.085000	0.000000	4.275000
Long-Range Bond Excess	0.000000	0.000000	0.137000	0.208000	0.000000	0.345000
Coal Trust Interest Income	0.000000	0.000000	5.946000	6.229000	0.000000	12.175000
Public Institutions Reimb.	0.000000	0.000000	0.332000	0.554000	0.000000	0.886000
Other Revenue Sources	0.000000	0.000000	0.615000	0.618000	0.000000	1.233000
Total Adjustments	\$0.000000	\$0.000000	\$10.017000	\$10.901000	\$0.000000	\$20.918000
Total Plus Adjustments	\$391.152206	\$377.357000	\$379.025000	\$391.051000	\$768.509206	\$770.076000

## Revenue Adjustments

The following paragraphs describe each revenue adjustment proposed in the Governor's Executive Budget proposal.

### **Individual Income Tax**

The Executive Budget recommendation for the Department of Revenue includes two individual income tax modifications which are designed to enhance collection efforts. Total revenues anticipated are \$1.369 million and \$2.073 million in FY90 and FY91, respectively. The general fund will receive 58.2% of these amounts or \$.797 million in FY90 and \$1.207 million in FY91.

### **Interest on Investments**

The Revenue Estimating Advisory Council did not assume the state would issue tax and revenue anticipation notes during FY90 and FY91. Based on the level of disbursements recommended in the Executive Budget, it is assumed that the general fund will be cash deficient during each year of the 1990-91 biennium. Thirty million dollars in short-term notes are anticipated to be issued annually.

### **Long-Range Bond Excess**

This category of revenue receives 10% of individual income tax receipts. Due to the proposed modifications to enhance individual income tax collections, this component will receive 10% of the total or \$.137 million in FY90 and \$.207 million in FY91.

### **Coal Trust Interest Income**

The Executive Budget recommendation proposes to change the distribution of permanent trust fund interest earnings. Under current law 15% of total earnings are deposited to the trust fund. The Governor's budget diverts the 15% of permanent trust interest earnings to the general fund for FY90 and FY91.

### **Public Institutions Reimbursements**

The Executive Budget recommendation for the Department of Social and Rehabilitation Services includes modifications for provider rate increases and the Omnibus Budget Reconciliation Act of 1987 (OBRA). If patient costs at state institutions are medicaid reimbursable, then the federal revenues received are deposited in the general fund.

### **Other Revenue Sources**

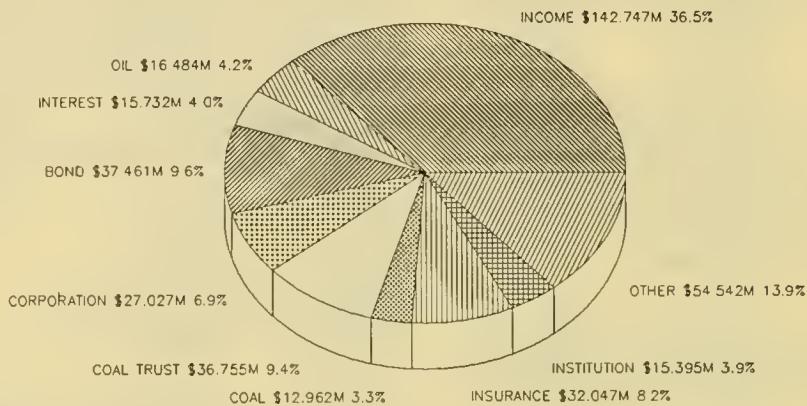
Revenue adjustments included in this component are as follows :

	<u>FY 90</u>	<u>FY 91</u>
Bingo and Keno Taxes	\$.300	\$.300
Agricultural Fees	.132	.132
Statewide Cost Allocation Plan	.464	.467
Elimination of Nuisance Taxes	-.281	-.281
Total	<u>\$.615</u>	<u>\$.618</u>

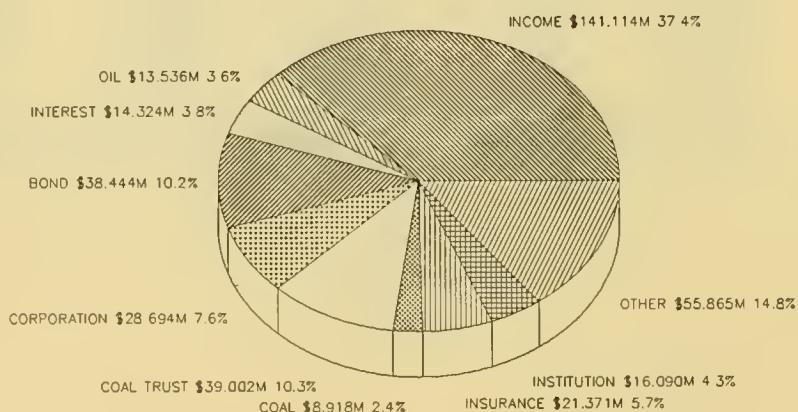
Each of these adjustments are the result of proposals contained within the Governor's Executive Budget.

## REVENUE ESTIMATES

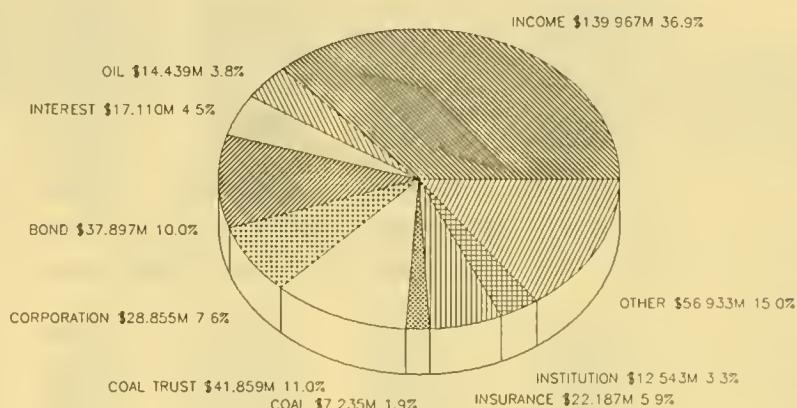
### General Fund Revenue Analysis Contribution By Source For FY 88



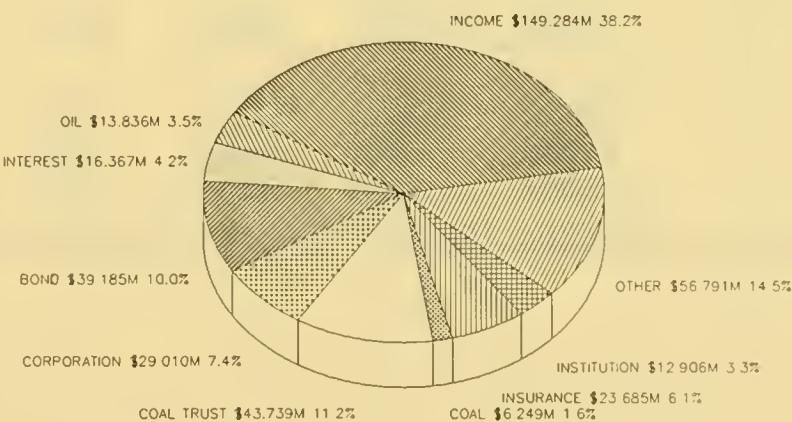
### General Fund Revenue Analysis Contribution By Source For FY 89



General Fund Revenue Analysis  
Contribution By Source For FY 90



General Fund Revenue Analysis  
Contribution By Source For FY 91



## REVENUE ESTIMATES

### Foundation Program Revenue Estimates

#### Current Law Status

(In Millions)

Revenue Component	Actual FY 1988	Estimated FY 1989	Estimated FY 1990	Estimated FY 1991	Estimated FY 88-89	Estimated FY 90-91
<b>State Revenue</b>						
Income Tax	76.494683	77.104000	76.042000	80.908000	153.598683	156.950000
Corporation Tax	10.557529	11.209000	11.271000	11.332000	21.766529	22.603000
Coal Severance Tax	14.215851	9.781000	2.010000	1.736000	23.996851	3.746000
Interest & Income	34.078544	32.465000	33.485000	34.353000	66.543544	67.838000
Us Oil & Gas Royalties	26.327798	23.524000	22.686000	23.494000	49.851798	46.180000
Education Trust Interest	3.430171	0.825000	0.926000	1.148000	4.255171	2.074000
Miscellaneous Revenue	9.350000	24.650000	0.000000	0.000000	34.000000	0.000000
County Levy Surplus	10.558855	0.000000	0.000000	0.000000	10.558855	0.000000
<b>Total State</b>	<b>\$185.013431</b>	<b>\$179.558000</b>	<b>\$146.420000</b>	<b>\$152.971000</b>	<b>\$364.571431</b>	<b>\$299.391000</b>
<b>Statewide Taxable Valuation</b>	<b>1977.891006</b>	<b>1942.914000</b>	<b>1899.969000</b>	<b>1869.831000</b>	<b>NA</b>	<b>NA</b>
<b>County Revenue</b>						
Mandatory Levy	78.446240	87.431000	85.499000	84.142000	165.877240	169.641000
Elementary Transportation	-3.725853	-3.717000	-3.717000	-3.717000	-7.442853	-7.434000
Cash Reappropriated	1.699658	1.566000	2.487000	3.126000	3.265658	5.613000
Forest Funds	1.464581	1.465000	1.465000	1.465000	2.929581	2.930000
Taylor Grazing	0.102104	0.102000	0.102000	0.102000	0.204104	0.204000
Miscellaneous Revenue	4.310324	4.310000	4.310000	4.310000	8.620324	8.620000
High School Tuition	-0.838280	-0.838000	-0.838000	-0.838000	-1.676280	-1.676000
<b>Total County</b>	<b>\$81.458774</b>	<b>\$90.319000</b>	<b>\$89.308000</b>	<b>\$88.590000</b>	<b>\$171.777774</b>	<b>\$177.898000</b>
<b>District Revenue</b>						
Permissive Levy	16.402650	16.113000	15.756000	15.507000	32.515650	31.263000
Miscellaneous Revenue	1.124619	1.227000	1.371000	1.567000	2.351619	2.938000
<b>Total District</b>	<b>\$17.527269</b>	<b>\$17.340000</b>	<b>\$17.127000</b>	<b>\$17.074000</b>	<b>\$34.867269</b>	<b>\$34.201000</b>
<b>Total State, County, District</b>	<b>\$283.999474</b>	<b>\$287.217000</b>	<b>\$252.855000</b>	<b>\$258.635000</b>	<b>\$571.216474</b>	<b>\$511.490000</b>

### Governor's Executive Budget Proposal

#### Revenue Adjustments

(In Millions)

Revenue Component	Actual FY 1988	Estimated FY 1989	Estimated FY 1990	Estimated FY 1991	Estimated FY 88-89	Estimated FY 90-91
<b>State Revenue</b>						
Income Tax	\$0.000000	\$0.000000	\$0.435000	\$0.659000	\$0.000000	\$1.094000
Coal Severance Tax	0.000000	0.000000	8.540000	7.378000	0.000000	15.918000
Education Trust Interest	0.000000	0.000000	-0.082000	-0.312000	0.000000	-0.394000
<b>Total Adjustments</b>	<b>\$0.000000</b>	<b>\$0.000000</b>	<b>\$8.893000</b>	<b>\$7.725000</b>	<b>\$0.000000</b>	<b>\$16.618000</b>
<b>Total Plus Adjustments</b>	<b>\$283.999474</b>	<b>\$287.217000</b>	<b>\$261.748000</b>	<b>\$266.360000</b>	<b>\$571.216474</b>	<b>\$528.108000</b>

## Revenue Adjustments

The following paragraphs describe each revenue adjustment proposed in the Governor's Executive Budget proposal.

### **Individual Income Tax**

The Executive Budget recommendation for the Department of Revenue includes two individual income tax modifications which are designed to enhance collection efforts. Total revenues anticipated are \$1.369 million and \$2.073 million in FY90 and FY91, respectively. The foundation program will receive 31.8% of these amounts or \$.435 million in FY90 and \$.659 million in FY91.

### **Coal Severance Tax**

The Executive Budget recommendation proposes to change the distribution of coal severance tax revenues. Under current law 6.65%, 7.60% and 1.90% of total receipts are deposited to the local impact account, education trust account and parks acquisition trust account, respectively. The Governor's Executive Budget proposal diverts all of these revenues to the foundation program for the support of public schools.

### **Education Trust Interest**

The diversion of coal severance tax revenues from the education trust account to the foundation program reduces the investable balance of the education trust account. With less funds available for investment, interest earnings from the investment of these funds are reduced.

The Executive Budget proposes a level of FTE in state government in FY91 that is the lowest since FY75. The proposed FY91 level is more than 1400 FTEs less than in FY77 and 738 FTEs lower than the authorized level in FY86. The proposed FTEs in FY91 are 609 fewer than in 1981 when Governor Schwinden took office. This decline takes place even though the Executive Budget includes over 100 additional modified FTEs required as a result of new federal programs and requirements.

The decline in FTE is even more dramatic when the new services that have been added over the years are considered. Passage of the lottery initiative added 35 FTEs. The new forensics building at Montana State Hospital added 30 FTEs. Assumption of the Vo-Tech system added 246 FTEs in FY82 even though the level of service remained the same. Additional housing and inmate levels at Montana State Prison have added 88 prison guards. State Lands assumption of fire fighting responsibility from the federal government has added 41 FTEs since FY84.

Despite these additions, the total number of FTE in state government has declined and the number of FTE per capita in Montana has declined significantly. Table 1 and the following graph depict the number of state employees per 1000 residents since 1972. Table 2 lists FTE by agency for FY88 actual, FY89 approved and FY90-91 as proposed in the Executive Budget.

Table 1  
State Employees (FTE)  
Per 1000 Residents

FY	FTE	POPULATION	FTE PER 1000 RESIDENTS
72	11,706.72	697,000	16.80
73	11,880.17	711,000	16.71
74	12,369.41	719,000	17.20
75	13,047.48	727,000	17.95
76	14,510.52	736,000	19.72
77	15,370.17	748,000	20.55
78	15,026.60	757,000	19.85
79	14,488.23	770,000	18.82
80	14,410.62	782,000	18.43
81	14,550.72	787,000	18.49
82	14,266.46	796,000	17.92
83	14,156.49	805,000	17.59
84	14,296.09	816,000	17.52
85	14,459.73	823,000	17.57
86	14,679.75	825,000	17.79
87	14,654.46	817,000	17.94
88	13,956.43	809,000	17.25
89	14,086.59	813,000	17.33
90	13,966.04	817,000	17.00
91	13,941.49	822,000	16.96

State of Montana Employees  
FTE Per 1000 Residents

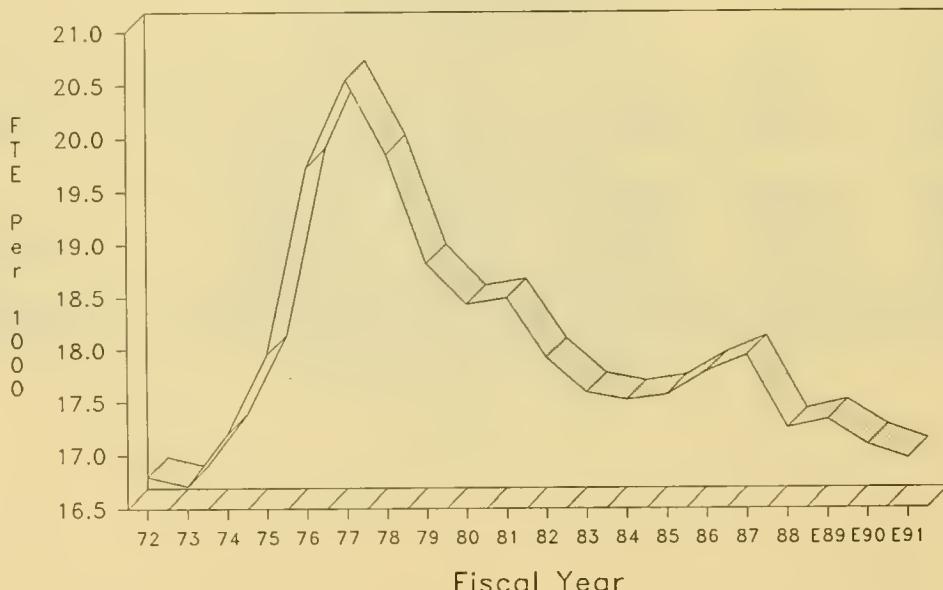


Table 2  
Full-Time Equivalent (FTE) Comparisons  
By State Agency

State Agency	Actual	Budgeted	Recommended			Current	Modified	Recommended		
	FY 88	FY 89	Current	Modified	Total	FY 90	FY 91	Current	Modified	Total
Legislative Auditor	60.00	60.00	60.00	1.00	61.00	60.00	1.00	61.00	1.00	61.00
Legislative Fiscal Analyst	17.50	19.00	17.50	0.50	18.00	18.00				18.00
Legislative Council	44.70	54.45	43.70		43.70	53.70				53.70
Environmental Quality Council	6.50	6.50	6.50		6.50	6.50				6.50
Consumer Counsel	4.25	4.25	4.25		4.25	4.25				4.25
Judiciary	92.50	91.16	90.50		90.50	90.50				90.50
Governors Office	61.54	62.26	57.20	1.20	58.40	53.70	1.20	54.90	1.20	54.90
Secretary Of States Office	27.50	27.50	27.50		27.50	27.50				27.50
Commissioner Of Political Prac	3.00	3.00	3.00		3.00	3.00				3.00
State Auditors Office	62.50	62.50	57.50		57.50	57.50				57.50
Office Of Public Instruction	121.90	122.90	115.90	2.50	118.40	115.90	2.50	118.40	2.50	118.40
Billings Vo Tech	50.81	51.68	45.85		45.85	45.85				45.85
Butte Vo Tech	34.90	37.03	36.47		36.47	36.47				36.47
Great Falls Vo Tech	46.99	47.49	49.50		49.50	49.50				49.50
Helena Vo Tech	54.09	54.24	49.05		49.05	49.05				49.05
Missoula Vo Tech	59.88	59.13	52.14		52.14	52.14				52.14
Crime Control Division	17.49	17.67	17.00		17.00	17.00				17.00
Highway Traffic Safety	8.50	8.50	8.50		8.50	8.50				8.50
Department Of Justice	560.10	563.70	557.35	1.50	558.85	557.35	3.50	560.85	3.50	560.85
Public Service Regulation	46.00	46.00	46.00		46.00	46.00				46.00
Board Of Public Education	5.00	5.00	4.00		4.00	4.00				4.00
Commissioner Of Higher Ed	35.91	44.78	34.00	27.00	61.00	34.00	27.00	61.00	27.00	61.00
University Of Montana	773.45	776.45	747.39	3.50	750.89	747.39	3.50	750.89	3.50	750.89
Montana State University	963.00	963.00	931.99		931.99	931.99				931.99
Mont College Of Min Sc & Tech	221.03	221.03	205.13		205.13	205.13				205.13
Eastern Montana College	323.46	323.46	316.17		316.17	316.17				316.17
Northern Montana College	189.74	189.74	187.96		187.96	187.96				187.96
Western Montana College	103.42	103.42	104.37		104.37	104.37				104.37
Agricultural Exper Station	258.70	258.70	273.27		273.27	273.27				273.27
Cooperative Extension Service	116.77	115.77	101.08		101.08	101.08				101.08
Forestry & Cons Exper Station	16.09	16.09	15.82		15.82	15.82				15.82
School For The Deaf & Blind	84.63	84.63	84.63	2.19	86.82	84.63	2.19	86.82	2.19	86.82
Montana Arts Council	7.97	9.08	7.97		7.97	7.97				7.97
Library Commission	31.72	29.80	27.21	1.00	28.21	27.00	1.00	28.00	1.00	28.00
Montana Council On Vocational	2.00	2.50	2.00	0.50	2.50	2.00	0.50	2.50	0.50	2.50
Historical Society	48.88	50.81	46.38	2.90	49.28	46.38	2.40	48.78	2.40	48.78
Fire Services Training School	5.00	5.00	5.00		5.00	5.00				5.00
Dept Of Fish, Wildlife & Parks	546.04	536.24	500.50	24.72	525.22	500.50	25.97	526.47	25.97	526.47
Dept Health & Environ Sciences	264.23	276.20	234.35	57.00	291.35	234.35	58.00	292.35	58.00	292.35
Department Of Highways	1,920.74	1,931.14	1,924.83	9.60	1,934.43	1,924.83	9.60	1,934.43	9.60	1,934.43
Department Of State Lands	298.47	306.88	304.38	22.62	327.00	304.38	28.75	333.13	28.75	333.13
Department Of Livestock	115.71	115.71	113.71	2.00	115.71	113.71	4.00	117.71	4.00	117.71
Dept Nat Resource/Conservation	248.30	253.70	239.20	9.00	248.20	239.20	9.00	248.20	9.00	248.20
Department Of Revenue	895.67	907.17	851.57	11.10	862.67	851.57	-31.20	820.37	820.37	820.37
Department Of Administration	357.61	372.34	353.59	9.00	362.59	358.59	9.00	367.59	9.00	367.59
Public Employees Retirement Bd	19.60	19.60	18.60	0.40	19.00	18.60	0.40	19.00	0.40	19.00
Teachers Retirement Board	10.40	11.00	10.40	0.60	11.00	10.40	0.60	11.00	0.60	11.00
Department Of Agriculture	88.00	90.13	84.67	4.83	89.50	84.67	6.33	91.00	6.33	91.00
Department Of Institutions	152.80	152.95	150.50	6.62	157.12	150.50	6.00	156.50	6.00	156.50
Montana Developmental Center	438.15	445.65	428.65	18.50	447.15	428.65	18.50	447.15	18.50	447.15
Center For The Aged	97.99	98.84	97.14	3.40	100.54	97.14	1.00	98.14	1.00	98.14
Eastmont Training Center	92.02	92.02	92.02	1.00	93.02	92.02	1.00	93.02	1.00	93.02
Montana State Prison	408.48	411.46	406.56	14.60	421.16	406.56	14.60	421.16	14.60	421.16
Swan River Youth Forest Camp	25.83	25.83	25.83		25.83	25.83				25.83
Veterans Home	81.30	81.30	80.80	4.77	85.57	80.80	3.60	84.40	3.60	84.40
Montana State Hospital	705.46	720.00	715.00	4.35	719.35	715.00	3.00	718.00	3.00	718.00
Board Of Pardons	4.00	4.00	4.00		4.00	4.00				4.00
Department Of Commerce	351.94	350.25	338.90	9.50	348.40	338.90	10.00	348.90	10.00	348.90
Labor & Ind-Employment Servs	623.15	622.30	594.80	4.50	599.30	593.05	5.50	598.55	5.50	598.55
Labor & Ind-Workers' Comp	213.82	226.25	203.25	30.50	233.75	203.25	30.50	233.75	30.50	233.75
Adjutant General	96.50	97.50	96.50	3.00	99.50	96.50	3.00	99.50	3.00	99.50
Dept Social & Rehab Services	774.63	772.93	751.82	45.67	797.49	751.82	45.67	797.49	45.67	797.49
Department Of Family Services	558.17	566.98	558.54	5.08	563.62	557.41	5.08	562.49	5.08	562.49
Total State	13,956.43	14,086.59	13,619.89	346.15	13,966.04	13,628.80	312.69	13,941.49		
Reporting to Governor	9,635.75	9,737.45	9,414.50	310.15	9,724.65	9,412.91	275.19	9,688.10		
All Other	4,320.68	4,349.14	4,205.39	36.00	4,241.39	4,215.89	37.50	4,253.39		

## PAY PLAN

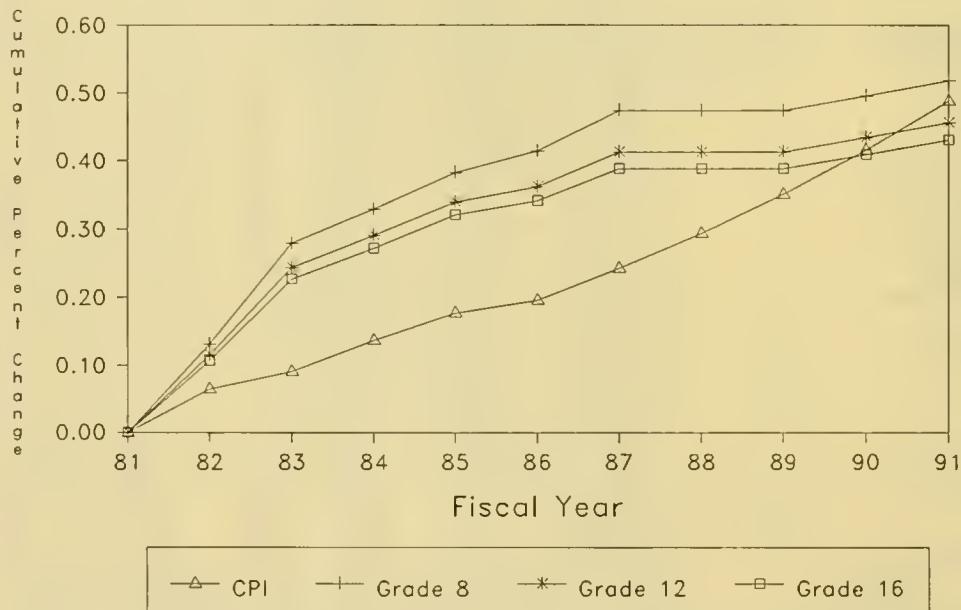
### Compensation

The Executive Budget proposes that state employees receive a 1.7 to 2.3 percent increase in total compensation from FY89 to FY90 and an additional 1.7 to 2.7 percent increase in total compensation from FY90 to FY91. The lower grades in the statewide salary schedule receive the largest percent increases in total compensation while the higher grades receive the lowest percent increase. This increase in compensation will provide for an increase in the state contribution for group insurance from \$1380 per year in FY89 to \$1500 per year in FY90 and to \$1680 per year in FY91. It also provides for an increase in the base salaries of state employees of 1.5% in FY90 and an additional 1.5% in FY91. The Executive Budget proposes that the full amount of the increase be placed on the base salaries and that employees remain at the step they occupy as of June 30, 1989, for the 1991 biennium. New employees will move from step one to step two at the end of their probationary period.

With this proposed increase in FY90 and FY91, a grade 8 employee's cumulative pay increase from FY81 to FY91 has exceeded the cumulative increase in the Consumer Price Index (CPI) over the same period. A grade 12 employee's cumulative pay increase has nearly matched the increase in the CPI and a grade 16 employee's cumulative pay increase has fallen slightly behind the CPI. The following graph shows the cumulative pay increases from FY81 to FY91 for a grade 8, 12 and 16 employee and the cumulative CPI over the same period.

The Executive Budget proposes that the increases in compensation be funded from within each agency's current level appropriation. Under current law, agencies have program transfer authority of up to 5% of the total agency budget and also have the authority to transfer unexpended appropriation balances from the first year of the biennium to the second year for the purposes of offsetting the costs of pay increases in the second year. This will allow agencies the necessary flexibility to fund the pay increases within their appropriations.

**Pay Plan Increases  
Versus Change in CPI**



## SCHOOL FOUNDATION PROGRAM

The school foundation program is increased by 2% in each year of the biennium. Primarily because of declining statewide taxable valuation, \$34.754 million is necessary just to maintain the existing schedules. The 2% annual increases recommended in this budget require an additional \$16.745 million. The total cost is \$51.499 million.

The budget proposes to fund the increases by allocating to the Foundation Program coal tax revenues earmarked to the Coal Board, and the coal tax revenues that would otherwise be deposited to the Education Trust and the Park Acquisition Trust. In addition, the remainder of the Education Trust principal, \$9.575 million is appropriated to the Foundation Program in FY91. These allocations provide \$25.493 million dollars. A general fund appropriation of \$25.306 million is also recommended. (The remaining \$0.700 million is provided through increased earmarked revenues due to increased audit collections.)

### Foundation Schedules and CPI

Foundation Program schedules have more than kept pace with inflation since FY81. Table 1 and the accompanying graph illustrate the growth in the Consumer Price Index and the School Foundation Program schedules from FY81-FY91. During that ten year span the Consumer Price Index has increased by 48.75% while foundation schedules have increased by 58.86%.

### "The Loble Decision"

One of the major issues facing the 1989 legislature is the Loble decision which held that Montana's current public school financing system violates Montana's Constitution because it denies students both equal protection of the laws and equality of educational opportunity. The decision gave the legislature until October 1, 1989 to correct these deficiencies. This decision is currently being appealed to the Montana Supreme Court. A decision is not expected until the 1989 legislative session is underway.

The Foundation Program Budget is presented under current law. Both the Executive Budget and the Office of Public Instruction have recommended changes in the Foundation Program to address the Loble decision. Both of them recommend that any changes be implemented in FY91, leaving the existing School Foundation Program intact in FY90. Because school districts have to adopt FY90 budgets and submit proposed levies for voter approval prior to the end of the 1989 session, it would be difficult for the legislature to resolve the issue in time for a FY90 implementation.

The current law revenue estimates and expenditure requirements for the Foundation Program will serve as the basis for legislative consideration of proposals to address the Loble decision.

Table 1  
Historical Percentage Changes  
Foundation Schedules & CPI  
Actual & Projected

Fiscal Year	CPI % Change	% Change Schedules
81	10.764	10.00
82	6.44	18.00
83	2.46	15.00
84	4.20	4.00
85	3.55	3.00
86	1.58	4.00
87	3.93	1.00
88	4.13	0.00
89	4.40	0.00
90	4.80	2.00
91	5.10	2.00
Cumulative Increase 1981-1991		48.75%
		58.86%

Foundation Program Increases  
Versus Change In CPI

